(13)

No. 06-666

Supreme Court, U.S.
FILED
JUL 19 2007
OFFICE OF THE CLERK

In the Supreme Court of the United States

DEPARTMENT OF REVENUE OF THE COMMONWEALTH OF KENTUCKY AND FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY,
Petitioners,

v.

GEORGE W. DAVIS and CATHERINE V. DAVIS,
Respondents.

On Writ of Certiorari to the Court of Appeals of Kentucky

BRIEF OF *AMICI CURIAE*, CHURCHILL TAX-FREE FUND OF KENTUCKY, HAWAIIAN TAX-FREE TRUST, NARRAGANSETT INSURED TAX-FREE INCOME FUND, TAX-FREE FUND FOR UTAH, TAX-FREE FUND OF COLORADO, TAX-FREE TRUST OF ARIZONA, TAX-FREE TRUST OF OREGON, HAWAII MUNICIPAL FUND, HAWAII INTERMEDIATE FUND, THE IDAHO TAX-EXEMPT FUND, OCEAN STATE TAX-EXEMPT FUND, BISHOP STREET HAWAII MUNICIPAL BOND FUND and WESTCORE COLORADO TAX-EXEMPT FUND IN SUPPORT OF PETITIONERS

MICHAEL F. SMITH*
PHILIP J. KESSLER
EDWARD M.W. HINES
DENNIS K. EGAN
BUTZEL LONG
1747 PENNSYLVANIA AVE., NW, STE. 300
WASHINGTON, D.C. 20006
(202) 454-2888

*Counsel of Record

Becker Gallagher · Cincinnati, OH · Washington, D.C. · 800.890.5001

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STATEMENT OF INTERESTS OF *AMICI CURIAE*[1]

Amici curiae are 13 State-specific municipal bond funds that collectively have more than 36,000 shareholders and combined assets of nearly $2.7 billion. Each fund concentrates on municipal bonds that are exempt from the income tax of a single State; each fund's shareholders overwhelmingly reside within that State. Several of the funds even compete with one another in a given State. But because their investors and the markets in which they function will be profoundly and negatively affected if the ruling below is affirmed in this case, they are jointly filing this brief.

Amici believe that the Davises are advancing, and the Kentucky Court of Appeals has accepted, a position that expands the dormant Commerce Clause radically and inappropriately. Through that proposed expansion, the Davises threaten to severely limit or even end a long-established practice common to 43 States – one that benefits residents of those States by fostering the only practical means by which to invest in a broad range of public improvements that directly enhance their local quality of life, without in any way impeding the flow of Commerce among the States. Pursuant to this Court's Rule 37.3, *amici* respectfully submit this brief in support of petitioners Department of Revenue of the Commonwealth of Kentucky and Finance and Administration Cabinet of the Commonwealth of Kentucky.

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[1] All parties have consented to the filing of this brief, and their letters are on file with the Clerk of this Court. Pursuant to Rule 37.6, *amici* state that no counsel for any party has authored this brief in whole or in part, and no person or entity other than the *amici* and their counsel contributed monetarily to the preparation or submission of this brief.

The 13 *amici* are similar in structure and purpose. Each invests primarily in investment-grade, tax-free municipal bond obligations of issuers within its State.[2] The bonds finance schools, low- and moderate-income housing, highways, hospitals, airports, water and sewer facilities and other public improvements. The funds have varying objectives but they all have two in common: preservation of capital, and providing income that is exempt from the income tax of the State on which each focuses. In that sense, each *amicus* is premised upon (and has a significant stake in) the tax structure that the Davises seek to upend.

The Aquila *amici* are seven State-specific municipal bond funds within the same group (or "complex"), the Aquila Group of Funds[sm]:

> **Churchill Tax-Free Fund of Kentucky** was created in 1987 for the benefit of Kentucky residents. Representative public improvements funded by bonds that it holds or has held include projects at the Jefferson County Hospital, the Warren County Judicial Center, Pendleton County High School and the Kentucky Rural Water Finance Corporation. As of June 30, 2007, the fund had more than 3,000 shareholders and assets in excess of $258 million.

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[2] Consistent with Utah law, *amicus* Tax-Free Fund For Utah also can invest in the bonds of nine States and the District of Columbia that reciprocate and treat Utah municipal bonds as tax-free. Utah Code Ann. § 59-10-114(1)(g). All *amici* also may invest in obligations of Puerto Rico, Guam and other U.S. territories, because their interest also is exempt from local taxation. However, those *amici* that purchase such bonds (and not all do), generally do so only when local bonds of suitable maturity and coupon rate are not available.

Hawaiian Tax-Free Trust was launched in 1985 for the benefit of Hawaii residents. Facilities financed in whole or in part by the bonds in which it invests include the Kamali'i Elementary School and Kahului Fire Station on Maui, the Kona Community Aquatic Center on the Big Island of Hawaii, highway H-3 on Oahu and the Kaui County Office Building. As of June 30, 2007, Hawaiian Tax-Free Trust had nearly 11,000 shareholders and assets of nearly $690 million.

Narragansett Insured Tax-Free Income Fund was created in 1992 for the benefit of Rhode Island residents. As of June 30, 2007, it had assets of nearly $148 million and nearly 1,900 shareholders. Representative projects financed include improvements at the Women & Infants Hospital and the Rhode Island Convention Center in Providence, various Rhode Island Clean Water and Pollution Control projects, and restoration and improvement projects at the Howard Center in Cranston, the largest facility of the State Department of Mental Health, Retardation and Hospitals.

Tax-Free Fund For Utah commenced operations in 1992 for the benefit of Utah residents. Representative projects financed include improvements at the Salt Lake City International Airport, the Municipal Building in Tooele and the Lehi City Recreation Center. As of June 30, 2007, Tax-Free Fund For Utah had total assets of over $226 million and more than 2,900 investors.

Tax-Free Fund of Colorado was created in 1987 for the benefit of Colorado residents. Projects financed have included improvements at the Poudre

Valley Hospital in Fort Collins, the Clear Creek School District, the El Paso County Judicial Building and the Highlands Ranch Recreation Center. As of June 30, 2007, its assets totaled more than $205 million, and it had more than 3,400 shareholders.

Tax-Free Trust of Arizona was launched in 1986 for the benefit of Arizona residents. Representative projects financed include improvements at the Theodore Roosevelt Dam across the Salt River, Sky Harbor Airport in Phoenix, Boswell Memorial Hospital and the Peoria Sports Complex. As of June 30, 2007, it had total assets of more than $328 million and more than 4,500 shareholders.

Tax-Free Trust of Oregon commenced operations in 1986 for the benefit of Oregon residents. Bonds of the fund have helped finance projects for the Clackamas County School District and Portland International Airport, improvements at the Rogue Valley Medical Center in Medford and wastewater treatment in Klamath Falls. As of June 30, 2007, it had approximately $414 million in assets and nearly 6,100 shareholders.

The First Pacific *amici* are two State-specific municipal bond funds within the First Pacific group of mutual funds:

Hawaii Municipal Fund was established in 1988 and was the first Hawaii tax-free, no-load mutual fund created by a local firm; **Hawaii Intermediate Fund** was established in 1994. Both were created for the benefit of Hawaii residents, and they have a combined shareholder base of 2,100 as of June 30, 2007, and nearly $161.5 million in total assets. Their bonds

have helped pay for local projects such as the Honolulu Police Department at Kapolei, the Hamilton Library at the University of Hawaii at Manoa and various freeway projects.

Four other *amici* join in this brief:

The Idaho Tax-Exempt Fund, part of the Saturna Capital fund complex, was created in 1987 for the benefit of Idaho residents. As of June 30, 2007, it had total assets of more than $9.5 million and 167 account holders. Public improvements financed include projects at the Kootenai-Shoshone Area Library, the Madison County Hospital and the Ketchum Water System.

Ocean State Tax-Exempt Fund was established in 1986 for the benefit of Rhode Island residents. As of June 30, 2007, it had 517 shareholders and net assets of $23.0 million, and has financed expansion of T. F. Green Airport, construction of the Kent County Courthouse, improvements at St. Antoine Residence, a nursing and rehabilitation center in North Smithfield; and projects at several educational institutions, including the University of Rhode Island and Brown University.

Bishop Street Hawaii Municipal Bond Fund was established in 1995 for the benefit of Hawaii residents. As of June 30, 2007 it had total assets of $171.9 million and 565 shareholders. Representative projects include improvements to the University of Hawaii, The Queen's Medical Center and Mid-Pacific Institute, a K-12 school in Honolulu.

Westcore Colorado Tax-Exempt Fund was established in 1991 for the benefit of Colorado residents. As of June 30, 2007 it had assets of $57.0 million and 201 shareholders. Its bonds have helped finance improvements at the Walker Field Airport in Grand Junction, the Colorado Water Resources Authority and the Yampa Valley Medical Center in Steamboat Springs.

The issue presented in this case is of critical importance to all 13 *amici*, since each exists largely, if not solely, because of the State income-tax exemptions at issue. As one economist with three decades of investment-industry experience has observed, a ruling affirming the Kentucky appellate court would "radically" change the municipal-investment landscape in the United States, replacing the current system with a nationwide municipal bond market and perhaps rendering obsolete State-specific funds such as *amici*. Milton Ezrati, "Muni Madness," *Economic Insights* (Lord Abbett & Co., L.L.C., June 15, 2007), *available at* http://www.lordabbett.com/us/insights/insights.jsp. Each of the *amici* has a significant interest in this case.

INTRODUCTION AND SUMMARY OF ARGUMENT

The widespread and longstanding practice among the States of granting income-tax exemption to interest derived from their own municipal bonds has given rise to the significant sector of the public-finance market in which *amici* and hundreds of similar funds function. State-specific municipal bond funds effectively provide the only practical means by which most individual investors may target their investments so as to help fund public projects that directly and effectively improve the quality of life where they and their families live. If the Kentucky appellate court's ruling is

affirmed, that regime almost certainly will atrophy, if not disappear entirely, and be replaced by a national municipal bond market – to the detriment of individual investors and local communities alike. Investors in State-specific bond funds such as *amici* also may have the value of their investments negatively affected due to a variety of possible factors, including significant redemption of fund shares as part of the transition to national bond funds.

Regardless of this Court's decision, municipalities of course will continue to borrow money (sell bonds) to pay for public-improvement projects. But if the Court affirms the ruling below, individual investors likely will be limited to only two channels of municipal bond investment. They will have to purchase bonds directly from issuers or through broker/dealers, which is cost-prohibitive for many individuals and generally limits their investment only to the single public project being funded, contrary to the principle of investment diversification. Or, they will have to invest in nationwide funds managed by advisers who may live hundreds, if not thousands, of miles from the individual investors and the communities seeking to borrow money – "[l]ittle reason will remain for state-specific strategies or funds." Ezrati, *supra*. Individual municipal bond investors in many States, particularly the less-populous States in which *amici* generally operate, will be deprived of the ability to invest in a diverse pool of bonds that fund a broad array of public improvements in the geographic area where they live, work and travel most frequently. Such a ruling would create disruption, and possible increased risk, among the very individuals who most wish to avoid both: the widows/widowers, retirees and other risk-averse investors who typically seek out, and benefit from, the professionally managed, diversified portfolios of investment-grade municipal bonds owned by *amici* and other State-specific funds.

Further, such a ruling also could place an impediment between municipal bond issuers and a major source of credit – their own citizens. Issuers would be forced into the nationwide bond market to borrow from investors in faraway places, who may have little familiarity with the issuer or with the local conditions that affect its creditworthiness, or the need for its new school, hospital, sewage-treatment plant, etc. Along the same lines, a purely nationwide bond market would eliminate the specialized intermediaries (such as *amici*) who by necessity familiarize themselves with public projects in their area to an extent that a distant player in most cases simply cannot. A portfolio manager who focuses exclusively on the municipal bonds of Hawaii has an incentive to learn all he or she can about every public project in that State, an incentive that a manager overseeing a nationwide fund simply does not have – absent a higher coupon rate paid by the issuer (and thus, its taxpayers) to catch the market's attention.

As this Court clarifies the outer boundaries (and perhaps the very existence) of the dormant Commerce Clause, it should not lose sight of the individuals who invest in State-specific municipal bond funds, the infrastructure needs of the communities in which they reside, or the manner in which the current regime of State tax-exemption facilitates their connection with one another.

ARGUMENT[3]

I. State-Specific Bond Funds Facilitate Investment In Municipal Bonds by Providing Individuals and Issuers With a Unique Mechanism by Which Investment May Occur In a Range of Public-Improvement Projects in Their Geographic Area.

A. State-Specific Funds Occupy a Unique But Important Niche of the Municipal-Bond Fund Market.

Municipal bonds are debt securities issued by governmental units to raise funds used to build roads, bridges, schools and all manner of public improvements. Their history in the United States dates to the 1820s, when booming cities needed capital for various public projects. Robert Zipf, *How the Bond Market Works* 82 (1997). In 1843, when records were first kept, total outstanding municipal debt in the United States was $25 million, and by 1900 that figure had risen to $2 billion. *Id.*

The municipal bond market today is exceedingly large in scope. As of May 31, 2007, the nation's municipal bond funds (national and State-specific) had total net assets of $378.6 billion, "Trends in Mutual Fund Investing: May 2007" (ICI June 29, 2007), *available at* http://www.ici.org/home/trends_05_07.html, and from 2000-

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[3] Mindful that the parties and other *amici* will thoroughly brief the legal issues in this case, and also of the admonition of Rule 37.1, *amici* in this brief primarily will present relevant factual material that may not have been brought to the Court's attention. Stern, Gressman et. al., *Supreme Court Practice* 664 (8th ed. 2002).

2006, State and local governments issued approximately $2.78 *trillion* of tax-exempt securities – more than 85 percent of which ($2.39 trillion) consisted of bonds. *See*, *The Bond Buyer/Thomson Financial 2007 Yearbook* 4-13 (Source Media 2007). In 2006, $388.6 billion of municipal bonds were issued, down slightly from the record-setting $408.3 billion sold in 2005 but still the second-highest year ever, measured by volume. Michael Scarchilli, "The Market in Review," *The Bond Buyer/Thomson Financial 2007 Yearbook* 2. As of 2001, total municipal bond debt outstanding in the country equaled roughly 18 percent of U.S. gross domestic product. Bill Simonson, Mark D. Robbins and Lee Helgerson, *The Influence of Jurisdiction Size and Sale Type on Municipal Bond Interest Rates: An Empirical Analysis*, 61 PUBLIC ADMIN. REVIEW 709 (November/December 2001).

A significant portion of the municipal-bond market is occupied by State-specific municipal bond funds, mutual funds established for the primary purpose of allowing investors to take advantage of the State income-tax exemption that the Davises challenge as unconstitutional.[4] Such funds

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[4] A mutual fund is an investment company that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal. There is no limit on the number of shares a mutual fund may issue, and it is referred to as an "open-end" fund for two main reasons: 1) it is required to redeem (buy back) outstanding shares at any time, at their current net asset value, and 2) virtually all mutual funds continuously offer their shares to the public. A "closed-end" fund, in contrast, also holds investments that are professionally managed in accordance with its investment objectives, but it issues a fixed number of shares that trade on a stock exchange or an over-the-counter market. *Investment Company Fact Book* 145 (ICI 2007), *available at* http://www.ici.org/home/2007_factbook.pdf. Each *amicus* is an open-end fund.

trace their origin to 1976, when the Internal Revenue Service first allowed the tax-exempt feature of municipal bonds to flow through to individual investors, resulting in the prompt creation of a number of municipal bond mutual funds. Robert Zipf, *How the Municipal Bond Market Works* 160-161 (1995). In 2006 there were 481 open-ended municipal bond mutual funds, *Investment Company Fact Book* 98 (ICI 2007), *available at* http://www.ici.org/home/2007_factbook.pdf, and at the close of 2005, 13 percent of all outstanding municipal bonds were held by State-specific mutual funds. Ethan Yale and Brian Galle, *Muni Bonds and the Commerce Clause After* United Haulers, 115 TAX NOTES 1037, 1038 (June 11, 2007) (citation omitted). The 90 fund complexes offering a total of 642 closed- and open-ended single-State municipal bond funds in the United States as of May 31, 2007 had aggregate assets of $192.2 billion. (Appendix A, "State Specific Municipal Bond Funds, By State (Open-End and Closed-End Funds, as of May 31, 2007") (data provided by Avi Nachmany, Director of Research, Strategic Insight Mutual Fund Research and Consulting).

Most State-specific funds focus on the States that issue many municipal bonds, impose relatively high income tax and/or have a significant population of high-income residents. (An IRS study noted that during 1996-2002, slightly more than 50 percent of the $750.7 billion in new money long-term bonds issued came from just eight States: California, New York, Texas, Illinois, Florida, Pennsylvania, New Jersey and Michigan. Cynthia Belmonte, *Tax Exempt Bonds 1996-2002* 151 (*SOI Bulletin* Summer 2005), *available at* http://www.irs.gov/pub/irs-soi/02govbnd.pdf). Accordingly, residents of only about a dozen states have what could be termed a "good selection" of single-State municipal bond funds from which to choose. Kiplinger Washington Editors,

"Win With Home-State Muni Bond Funds," 11 *Kiplinger's Retirement Report* (December 2004).

Amici, however, follow a somewhat different approach, and fill a significant niche in the State-specific municipal bond market that otherwise would be underserved. Of the eight States in which they operate, only two (Colorado and Arizona) are served by more than a dozen State-specific funds. (Appendix A). The remaining six States are among those that much of the market overlooks. For instance, *amici* Hawaiian Tax-Free Trust, Bishop Street Municipal Bond Fund and the two First Pacific funds together account for four of the six State-specific bond funds in Hawaii, and hold 90 percent of the total $1.1 billion assets in Hawaiian bond funds. *Id.* Similarly, *amici* Narragansett and Ocean State comprise half of the Rhode Island bond funds and hold nearly 50 percent of the assets in such funds. *Amici* Idaho Tax-Exempt Fund is one of only two such funds in that State, while *amici* Tax-Free Fund For Utah is the *only* State-specific municipal bond fund for residents of Utah. *Id.*

Amici also focus heavily on local fund management – they represent fully 100 percent of the funds in Hawaii and Rhode Island run by local portfolio managers, and all but one of the 13 *amici* have at least one portfolio manager who lives in and has longstanding ties to the State. Researchers have found a "strong geographic link between mutual fund investment and performance," Joshua D. Coval and Tobias J. Moskowitz, *The Geography of Investment: Informed Trading and Asset Prices*, 109 JOURNAL OF POLITICAL ECONOMY 811 (University of Chicago 2001), *available at http://faculty.chicagogsb.edu/tobias.moskowitz/research/GeogInv.pdf* (locally based fund managers earn "substantial abnormal returns" due to increased informational opportunities with regard to local stocks). Though the Chicago study dealt with

stock mutual funds, its reasoning should apply with equal force to local portfolio management of all types of investments. The study found that "fund managers are exploiting informational advantages in their selections of nearby stocks" via their increased access to company officials and information, *Id.* at 812 – advantages that also are available to portfolio managers with regard to municipal bonds.

State-specific funds such as *amici* serve an important function in the municipal bond market.

B. A Ruling That State Tax Exemption Violates the Dormant Commerce Clause Will Harm State-Specific Municipal Bond Fund Investors and Municipal Bond Issuers.

Municipal bond holders by definition are likely to be conservative in their investment approach. Daniel Kadlec, "Light These," *Time*, April 27, 2003, *available at* www.time.com/time/magazine/article/0,9171,447208,00.html. As individuals grow older, the percentage of their mutual-fund assets held in *all* types of bond funds, municipal and non-municipal (as opposed to equity, hybrid, money-market or other types of funds), tends to increase. According to an ICI study, in both the under-40 and 40-to-64-year-old age groups, 13 percent of household mutual-fund assets are held in bond funds – but for those aged 65 and over, the figure jumps to 21 percent. *Profile of Mutual Fund Shareholders* 116 (Investment Company Institute, Fall 2004), *available at* http://www.ici.org/pdf/rpt_profile04.pdf. Without doubt, as the baby boom generation ages they will swell the ranks of the latter group. And, while bond holders in general are conservative and risk-averse, municipal bond holders are even more so. "The typical muni investor values stability above

all." *Kadlec*, *supra*. Tax advantages and low degree of risk are precisely what make municipal bonds an attractive investment to such individuals. Dean Arthur Warga, "An Overview of the Regulation of Bond Markets," (Report to the Senate Banking Committee), June 17, 2004, *available at* http://banking.senate.gov/_files/warga.pdf.

The shareholders of *amici* are no different in their desire for safety and stability. They have decided to invest in one of the *amici* in large part because it primarily buys and holds investment-grade bonds. *Amicus* Churchill Tax-Free Fund of Kentucky has found that its typical shareholder is a retiree who took risks earlier in life but has amassed a nest egg that he or she wants to preserve, and thus the fund stresses stability over performance. Jacob Fine, *Aquila's Local Success*, The Bond Buyer, October 3, 2003, at 1, *available at* http://www.aquilafunds.com/Download/BondBuyer.pdf. In the extensive experience of *amici*, investors in State-specific municipal bond funds have an additional interest beyond the security and stability sought by most bond holders, even many municipal bond holders. Investors in State-specific funds actively foster a connection with the communities in which they live, and want not only to see their funds invested conservatively, but also to see those investments improve the roads, schools, hospitals and other infrastructure that they and their spouses, children and grandchildren use. As the President of the Aquila Group of Funds noted, "[W]hat you're doing is you're investing in that school down the street that the little kids next door go to...or you're investing in the hospital that you just took your husband or mother to." *Id.*

In that sense, State-specific municipal bond funds play an important role: they allow smaller investors to invest in a single security (fund shares) that diversifies their investment among a broad range of public-improvement projects in the

area where they live – something that otherwise would generally be available only to the very high net worth investor. Indeed, "[f]or most retirees, mutual funds are the most practical and cost-effective way of assembling a diversified portfolio of State-specific bonds." Kiplinger Washington Editors, *supra*. There is direct proof that at least some individuals invest for those reasons. One shareholder of *amicus* Churchill Tax-Free Fund of Kentucky noted several years ago that she likes the fact that the fund specifically invests in improving Kentucky's roads, because those roads allow her family to stay in touch with one another. Fine, *supra*, *see also* Appendix B, Letter of Barbara Gower. As she wrote in recounting a harrowing incident where her parents rolled their Model A Ford after rounding a curve to find a cow in the middle of a darkened two-lane road, "Hooray for Kentucky Turnpikes." Appendix B.[5]

Corresponding with the desire of some individuals to focus their investments on local public works, State-specific funds work actively to foster and maintain connections with their communities. As noted, all but one of 13 *amici* have a portfolio manager who lives in and has longstanding ties to their State (the other has a manager in an adjacent State, who stays abreast of developments in the fund's State). Several portfolio managers of the Aquila *amici* have served in that capacity for their fund since its inception, in some cases dating to the mid-1980s. Likewise, the president of the First Pacific *amici* left his job at the Honolulu office of a Wall Street firm in 1988 to set up his own business, offering fellow Hawaii residents a no-load mutual fund with tax-free income opportunities. In short, State-specific funds such as *amici*

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[5] Mrs. Gower's note was referenced in the 2003 Bond Buyer article, and plainly predates the Davises' action.

provide investors with conservative investments that generate income free from both regular Federal and State income tax, and also enhance the quality of life in the communities in which bond holders and many fund managers alike reside. And they allow these stability-seeking investors to keep an eye on how their money is being used, since their local government officials are the ones in charge of the public-improvement projects.

Economic studies confirm what common sense and the experience of *amici* suggests: people favor familiar investments, and are reluctant to invest in the unfamiliar. Gur Huberman, *Familiarity Breeds Investment*, 14 THE REVIEW OF FINANCIAL STUDIES 659, 665 (Fall 2001). Professor Huberman studied the geographic pattern in 1996 of shareholders of the seven Regional Bell Operating Companies ("RBOCs") created from the breakup of AT&T 12 years earlier. While the stock of each RBOC was equally accessible to the investing public nationwide, since each had large market capitalization and was traded on the New York Stock Exchange, in 49 of the 50 States (excepting Montana) more people held shares of their local RBOC than of any other single RBOC. *Id* at 660. In plain terms, "[p]eople root for the home team, and feel comfortable investing their money in a business that is visible to them." *Id* at 659.

This is not a recent development in our Republic:

> The native of New England is attached to his township because it is independent and free: his co-operation in its affairs ensures his attachment to its interests, the well-being it affords him secures his affection; and its welfare is the aim of his ambition and his future exertions. He takes a part in every occurrence in the place; he practices the art of government in the small

> sphere within his reach....Alexis de Tocqueville, DEMOCRACY IN AMERICA 68 (Alfred A. Knopf ed. 1994) (1835, 1840).

But while the propensity to invest in the familiar is not new, it bears profound implications in the context of this case. If this Court affirms the Kentucky appellate court and its ruling results in the predicted partial or total eclipse of State-specific funds by a nationwide municipal bond market, civic-minded municipal bond investors who wish to invest in a range of local public improvements generally will have few options. They will be limited either to direct purchases of bonds from an issuer or broker/dealers – which in many cases are cost-prohibitive for an individual, and in any event allow for investment only in one specific public-improvement project, contrary to the principle of investment diversification – or else they will be forced into the nationwide municipal bond funds. Ezrati, *supra*.

In that new national municipal bond bazaar, dominated by the huge, nationally known fund complexes, investors' dollars will be sent off to a portfolio manager sitting in a perhaps distant office, intermingled with the funds of thousands if not millions of other investors from around the country, and used to purchase municipal bonds from places they may never have heard of, to finance public improvements they will never see. Any attempt by an individual to target her investment toward a range of public improvements in her hometown, county or State will become hopelessly diluted, a few drops of water sprinkled into a nationwide sea of capital. In that circumstance, it is conceivable that at least some investors, deprived of the intangible benefit they receive from "rooting for the home team" with their investment dollars, will depart the municipal bond market altogether, in favor of some other investment(s) that may well be riskier than what the investor

would prefer to buy and hold. Further, the professional fund managers who invest the money of those who *do* remain will have a greatly decreased incentive to investigate the bonds of issuers that are small and/or located in distant places – rather than the more liquid bonds of large issuers – absent the premium of a higher coupon rate.

This problem is especially acute in the thinly populated and/or geographically remote States on which *amici* largely focus their operations, since a fund manager on Wall Street, or an investor in Chicago, may well have little interest when Boone County, Kentucky wishes to build a new sewage-treatment plant, or when the main street in Bisbee, Arizona needs to add a turn lane. Those communities (at least under normal circumstances) still will be able to sell bonds for their projects, but may well have to pay a higher interest rate to entice far-off buyers to purchase them, and/or pay for one or more ratings from the major bond-rating services. The Davises can point to no legal or factual support warranting the upheaval and uncertainty that their proposed expansion of the dormant Commerce Clause would impose on investors in State-specific, high-grade municipal bond funds – the most risk-averse segment of an already risk-averse group.[6]

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[6] Nor can the Davises deny that disruption would ensue: In anticipation of this Court's ruling, some tax lawyers already are advising clients to file State refund claims to preserve timeliness issues – and alternatively, raising the specter of retroactivity that could result in bond owners "getting a tax bill for three years worth of income tax on municipal bond interest that was previously exempt." Timothy P. Noonan and David Martin, *U.S. Supreme Court's Decision to Hear Municipal Bond Case Raises Constitutional, Procedural Questions*, 44 STATE TAX NOTES 969, 970-971 (Tax Analysts June 25, 2007), *available at* http://hodgsonruss.com/files/1_2_1/TPN_Notes/Notes_Bond_Case.pdf.

Of greater potential risk, the elimination of specialized intermediaries such as *amici* and their locally based, professional portfolio managers, could drive the very people who seek the safety and stability of bonds into a marketplace that, for the individual investor, is decidedly user-unfriendly. As one study noted, prior to implementation of NASD's transparency-reform program "[t]he corporate bond market historically has been one of the least transparent securities markets in the United States, with neither pre-trade nor post-trade transparency." Michael A. Goldstein, Elizabeth S. Hotchkiss and Eric R. Sirri, *Transparency and Liquidity: A Controlled Experiment on Corporate Bonds*, 20 REVIEW OF FIN. STUDIES 235 (March 2007). If anything, municipal bonds are even worse in that regard: "Relatively small issue sizes and obscure details about specific revenue projects or taxing authority rights and privileges make these securities even less transparent that most corporates." Warga, *supra* at 8. The bond market historically has lacked things like annual reports from issuers, widely available price reports and other indicia of transparency that are commonplace with stocks. The reforms of earlier this decade aimed at increasing municipal bond market transparency are "at best having a slow-moving effect on the cost structure for municipal trades," a fact that "simply reflects the fact that the market is geared to institutional trading and/or is dealing with complex securities that require a costly trading environment." *Id* at 9. But if the Davises' position is accepted, and it leads (as some predict) to the obsolescence of State-specific funds such as *amici*, that would remove the very locally based portfolio managers who serve to bridge the gap between the bond market and the individuals who seek its wares. That truly would be an undesirable effect.

The Davises may argue that elimination of State tax exemption will simply mean that the municipal bonds now

purchased for the most part by *amici* and other State-specific bond funds instead will be purchased by the nationwide funds. But the prospects of such a rosy outcome in the States serviced by *amici* appear far from certain. As of July 12, 2007, four large, well-known fund complexes and *amici* had State-specific municipal bond funds in the following States; those served by none of the former are emphasized: [7]

Fidelity	Vanguard	American funds	Putnam	*Amici*
Arizona	California	California	Arizona	Arizona
California	Florida	Maryland	California	***Colorado***
Conn.	Mass.	Virginia	Mass.	***Hawaii***
Florida	New Jersey		Michigan	***Idaho***
Maryland	New York		Minn.	***Kentucky***
Mass.	Ohio		New Jersey	***Oregon***
Michigan	Penn.		New York	***R.I.***
Minnesota			Ohio	***Utah***
New Jersey			Penn.	
New York				
Ohio				
Penn.				

Other than Arizona, there is not a single State among the eight served by *amici* in which the above large national fund complexes now offer a State-specific municipal bond fund. Instead, they focus on 13 of the most heavily populated States. State-specific funds such as *amici* have created a unique and important market channel for both investors and issuing governmental entities, in which the national market to

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[7] Data retrieved from www.fidelity.com, www.vanguard.com, www.americanfunds.com and www.putnam.com on July 12, 2007.

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date generally has shown little or no interest. If large national fund complexes to date have been generally uninterested in servicing such investors who wish to target their investments to their home area, the prediction that they will suddenly become interested if tax-exemption is held unconstitutional, seems questionable at best.

Nor can the Davises' position be justified by arguing that State-specific funds can simply transform themselves into national bond funds if this Court extends the dormant Commerce Clause to bar State-specific tax exemptions. Many State-specific municipal bond funds, including several of the *amici*, have as a fundamental policy that they will invest primarily in their State's "obligations" (which are defined to include certain territorial bonds, as noted *supra* in fn 2). Under § 13(a)(3) of the Investment Company Act, 15 U.S.C. § 80a-13(a)(3), changes to fundamental investment policies must be approved by the vote of a majority of the fund's outstanding voting securities. That would entail the significant additional expense of a proxy solicitation of shareholders, since many bond funds are not required to, and do not, hold annual meetings. Proxy solicitations are an expensive and time-consuming process for any mutual fund, and with shares increasingly held in broker accounts, funds frequently lack specific knowledge of who their shareholders even are. Further, under SEC rules these funds also would have to change their names to reflect their new national scope, causing a loss of the goodwill they have built up – in the case of several *amici*, more than 20 years' worth. Given the lower yields inherent in tax-free bond funds, most State-specific municipal bond funds would find it difficult, if not impossible, to justify the economic expense of becoming national in scope – particularly since these very expenses would make their yields uncompetitive with existing national funds.

The Davises' position also ignores the hardship that a transition to national bond funds could cause to current investors in State-specific funds such as *amici*. Large-scale bond redemptions that may be needed to accommodate departing investors could have a significant negative effect on the net asset values of State-specific funds, and thus on the value of investors' nest eggs. *See* Mark W. Riepe, *How Important Is a Mutual Fund's Tax Efficiency?* 13 JOURNAL OF FINANCIAL PLANNING 42 (August 2000), *available at* http://www.fpanet.org/journal/articles/2000_issues/jfp0800-art8.cfm (with significant redemptions a mutual fund may need to sell many securities, triggering large taxable distributions to remaining shareholders). A ruling affirming the Kentucky appellate court conceivably could set this process in motion, with unpredictable effects on fund values and those investors who choose to stay put. And those investors who "vote with their feet" after such a ruling, by leaving fund complexes of *amici* and other State-specific funds in favor of the market-dominating multi-State or national fund families, could be exposed to a new round of sales charges and costs that they otherwise would not incur. Finally, a ruling affirming the Kentucky court's finding of unconstitutionality also could cause fund portfolios to suffer via decreased value due to their repricing in the national market, i.e. once they are stripped of the benefit of double tax exemption.

In sum, if this Court affirms the Kentucky appellate court's interpretation of the dormant Commerce Clause, the likely consequence will be the dismantlement of time-honored arrangements that have greatly benefited State and municipal authorities and their citizens – who both invest in, and benefit from, the public improvements that municipal bonds finance. Given the scope of the harm that could result to investors, issuers and funds such as *amici*, and the absence of any

corresponding benefit, the Davises' position cannot satisfy *any* balancing test that may be employed in determining whether the dormant Commerce Clause has any application. The pervasiveness and extent of the harm that could result is in fact proof that the Davises' position cannot be correct as a matter of Constitutional interpretation.

The current taxation and municipal bond regime works well. Over the course of nearly a century, the vast majority of States have chosen through their elected representatives to exempt from taxation interest on bonds issued within their borders, so as to further encourage residents to invest in their community and State. Nothing even remotely like the retaliatory trade wars that the dormant Commerce Clause is aimed at stopping has resulted. There is no reason to upset the current taxation system, or write what could be the epitaph of State-specific municipal bond funds.

CONCLUSION

For the foregoing reasons, *amici* request that the January 6, 2006 Judgment of the Commonwealth of Kentucky Court of Appeals be reversed.

Respectfully submitted,

MICHAEL F. SMITH
Counsel of Record
PHILIP J. KESSLER
EDWARD M.W. HINES
DENNIS K. EGAN
BUTZEL LONG
1747 Pennsylvania Ave N.W.
Suite 300
Washington, D.C. 20006
(202) 454-2888

Counsel for Amici Curiae

July 19, 2007

APPENDICES

APPENDIX A

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Fund Assets ($Mil)
Dupree AL TxFr Income	Alabama	11.8
Eaton Vance AL Muni	Alabama	58.9
Evergreen AL Muni Bond	Alabama	37.8
Franklin AL TxFr Income	Alabama	279.7
Government Street AL TxFr Bond	Alabama	25.5
MFS Muni AL	Alabama	83.3
AB Muni Income II AZ	Arizona	208.4
Am Cent AZ Municipal Bond	Arizona	52.7
Delaware Inv AZ Muni Income	Arizona	60.5
Delaware TxFr AZ	Arizona	150.0
Eaton Vance AZ Muni	Arizona	102.0
Fidelity AZ Municipal Income	Arizona	127.5
First Am AZ TxFr	Arizona	28.4
First Inv Multi Ins TxEx AZ	Arizona	16.7
Franklin AZ TxFr Income	Arizona	1,032.9
JPMorgan AZ Muni Bond	Arizona	148.3
MuniYield AZ	Arizona	94.3
Northern AZ TxEx	Arizona	55.6
Nuveen AZ Dvdnd Advtg Muni	Arizona	35.0
Nuveen AZ Dvdnd Advtg Muni 2	Arizona	55.3
Nuveen AZ Dvdnd Advtg Muni 3	Arizona	66.5
Nuveen AZ Muni Bd	Arizona	88.1

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Nuveen AZ Prem Inc Muni	Arizona	93.8
Putnam AZ TxEx	Arizona	84.0
Rochester AZ Muni	Arizona	15.6
Tax Free Trust Of Arizona	Arizona	334.4
Eaton Vance AR Muni	Arkansas	66.5
MFS Muni AR	Arkansas	136.6
AB Muni Income CA	California	778.4
AB Muni Income Insured CA	California	110.0
Alliance CA Muni Income	California	209.4
Am Cent CA Hi Yield Municipal	California	655.0
Am Cent CA Limtd Term TxFr	California	140.4
Am Cent CA Long Term TxFr	California	451.2
Am Cent CA TxFr Bond	California	460.0
BlackRock CA Ins Muni 2008	California	263.7
BlackRock CA Ins Muni Inc	California	126.6
BlackRock CA Insrd Muni Bd	California	397.7
BlackRock CA Invest Qual Muni	California	21.8
BlackRock CA Muni 2018	California	152.1
BlackRock CA Muni Bond	California	83.2
BlackRock CA Muni Inc	California	363.3
BlackRock CA Muni Inc II	California	197.4
CA TxEx Bond	California	1,711.2
CNI Charter CA TxEx Bond	California	32.2
California Insured Intrmd	California	17.7
California TxFr Income	California	122.1
Colonial CA Insured Muni	California	65.7

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Columbia CA Intrmd Muni	California	143.7
Columbia CA Tax Exempt	California	445.1
DWS CA TxFr Income	California	831.0
Delaware TxFr CA	California	109.4
Dreyfus CA Intrmd Muni Bond	California	234.7
Dreyfus Premr CA TxEx Bond	California	1,227.7
Dryden Muni CA Income	California	238.2
Eaton Vance CA Ltd Muni	California	35.9
Eaton Vance CA Muni	California	282.9
Eaton Vance CA Muni Inc Trust	California	173.2
Eaton Vance Ins CA Muni Bd II	California	92.7
Eaton Vance Ins CA Muni Bond	California	524.3
Evergreen CA Muni Bond	California	495.0
Excelsior CA Sht Int TxEx Inc	California	52.8
Federated CA Muni Income	California	83.8
Fidelity CA Municipal Income	California	1,666.6
Fidelity CA Sht Intrmd TxFr Bo	California	108.6
First Am CA Intrmd TxFr	California	60.1
First Am CA TxFr	California	37.4
First Inv Multi Ins TxEx CA	California	27.9
Franklin CA High Yield Muni	California	1,659.6
Franklin CA Insrd TxFr Income	California	2,018.3
Franklin CA Intmd TxFr	California	485.1
Franklin CA Ltd Trm TxFr Inc	California	11.6
Franklin CA TxFr Income	California	14,121.0
GS CA Intrmd AMT Free Muni	California	77.8
Hartford TxFr CA	California	38.9
HighMark CA Intrmd TxFr	California	123.5

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total assets ($bil)
J Hancock CA TxFr Income	California	334.7
JPMorgan CA TxFr Bond	California	158.2
Legg Mason P Intrmd CA Muni	California	65.9
Legg Mason P Muni Bond CA	California	791.6
Lord Abbett TxFr CA Income	California	170.8
MFS Muni CA	California	443.9
ML CA Muni Holdings Insrd	California	697.6
MSDW CA Insured	California	228.1
MSDW CA Quality Muni Sec	California	190.9
MSDW Insured CA Muni Sec	California	51.9
Managers CA Intrmd TxFr	California	34.9
Morgan Stanley CA TxFr	California	479.5
MuniYield CA	California	456.1
MuniYield CA Insured	California	638.1
NB CA Intermediate Muni	California	158.4
Northern CA Intrmd TxEx	California	118.6
Northern CA TxEx	California	119.4
Nuveen CA Dvdnd Advtg Muni	California	536.3
Nuveen CA Dvdnd Advtg Muni 2	California	335.1
Nuveen CA Dvdnd Advtg Muni 3	California	547.8
Nuveen CA High Yield Muni Bd	California	33.9
Nuveen CA Insured Muni Bond	California	240.1
Nuveen CA Investment Qual Muni	California	319.5
Nuveen CA Muni Bond	California	298.5
Nuveen CA Muni Mkt Oppty	California	194.8
Nuveen CA Muni Value	California	253.9
Nuveen CA Performance Plus	California	304.8
Nuveen CA Premium Income	California	126.9

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Nuveen CA Quality Income Muni	California	524.6
Nuveen CA Select Qual Muni	California	546.3
Nuveen CA Select TxFr Income	California	91.8
Nuveen Insrd CA Dvdnd Advtg	California	353.3
Nuveen Insrd CA Premium Inc	California	144.2
Nuveen Insrd CA Premium Inc 2	California	284.2
Nuveen Insrd CA TxFr Advtg	California	132.8
Oppenheimer CA Municipal	California	2,399.9
Oppenheimer Ltd Trm CA Muni	California	248.7
PIF CA Insrd Intrmd Muni	California	95.9
PIF CA Muni	California	391.0
PIMCO CA Intrmd Muni Bond	California	142.2
PIMCO CA Muni Income	California	414.5
PIMCO CA Muni Income II	California	715.3
PIMCO CA Muni Income III	California	504.1
PIMCO CA Sht Dura Muni Inc	California	9.9
Parnassus CA TxFr	California	15.4
Payden CA Muni Income	California	42.1
Phoenix CA TxEx Bond	California	70.3
Pioneer AMT Free CA Muni	California	109.6
Price CA TxFr Bond	California	312.6
Putnam CA TxEx Income	California	2,010.8
RVS CA TxEx	California	173.3
SCBF CA Muni	California	1,366.3
SCBF Short Duratn CA Muni	California	81.3
SEI STET CA Muni	California	209.6
Schwab CA Long Term TxFr	California	219.1
Schwab CA Short Intrmd TxFr Bd	California	98.1

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total assets ($MM)
Schwab CA TxFr YieldPlus	California	1,126.2
Seligman TxEx CA Hi Yield	California	34.7
Seligman TxEx CA Quality	California	41.7
Thornburg Ltd Term CA	California	114.3
USAA TxEx CA Bond	California	724.5
VK Value Muni Inc Tr CA	California	556.2
Van Kampen CA Insured TxFr	California	230.0
Vanguard CA Intrmd TxEx	California	4,001.1
Vanguard CA Long TxEx	California	2,900.3
Wells Fgo Avtg CA Ltd TxFr	California	70.7
Wells Fgo Avtg CA TxFr Bond	California	487.8
Colorado Bond Shares	Colorado	529.5
Delaware Inv CO Insrd Muni Inc	Colorado	105.1
Delaware TxFr CO	Colorado	273.3
Eaton Vance CO Muni	Colorado	45.2
First Am CO Intrmd TxFr	Colorado	41.5
First Am CO TxFr	Colorado	25.7
First Inv Multi Ins TxEx CO	Colorado	9.1
Franklin CO TxFr Income	Colorado	486.0
Nuveen CO Muni Bd	Colorado	44.0
Seligman TxEx CO	Colorado	31.7
Tax Free Fund Of Colorado	Colorado	207.9
Wells Fgo Avtg CO TxFr	Colorado	91.9
Westcore CO TxEx	Colorado	58.0
Columbia CT Intrmd Muni Bond	Connecticut	170.9
Columbia CT Tax Exempt	Connecticut	115.2

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Fund Assets ($Mil)
Dreyfus Premr CT Bond	Connecticut	409.2
Eaton Vance CT Muni	Connecticut	136.5
Evergreen CT Muni	Connecticut	65.3
Fidelity CT Municipal Income	Connecticut	444.9
First Inv Multi Ins TxEx CT	Connecticut	37.9
Franklin CT TxFr Income	Connecticut	359.9
Lord Abbett TxFr CT Income	Connecticut	126.5
Nuveen CT Dvdnd Advtg Muni	Connecticut	57.7
Nuveen CT Dvdnd Advtg Muni 2	Connecticut	52.1
Nuveen CT Dvdnd Advtg Muni 3	Connecticut	94.7
Nuveen CT Municipal Bond	Connecticut	305.8
Nuveen CT Prem Inc Muni	Connecticut	115.9
BlackRock DE Muni	Delaware	59.3
AB Muni Income II FL	Florida	198.0
Am Cent FL Municipal Bond	Florida	35.4
BlackRock FL Ins Muni 2008	Florida	213.1
BlackRock FL Ins Muni Inc	Florida	207.3
BlackRock FL Invest Qual Muni	Florida	24.1
BlackRock FL Muni 2020 Trm	Florida	132.4
BlackRock FL Muni Bd Port	Florida	82.4
BlackRock FL Muni Bond	Florida	112.7
BlackRock FL Muni Inc	Florida	160.2
Delaware Inv FL Insrd Muni Inc	Florida	51.1
Delaware TxFr FL Insured	Florida	89.8
Dreyfus FL Intrmd Muni Bond	Florida	159.9
Dreyfus Premr FL Bond	Florida	81.5

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Eaton Vance FL Insured Muni	Florida	40.8
Eaton Vance FL Ltd Muni	Florida	44.6
Eaton Vance FL Muni	Florida	253.8
Eaton Vance FL Muni Inc Trust	Florida	101.4
Eaton Vance Ins FL Muni Bond	Florida	61.4
Fidelity FL Municipal Income	Florida	412.8
First Inv Multi Ins TxEx FL	Florida	28.6
Franklin FL Insured TxFr Inc	Florida	160.7
Franklin FL TxFr Income	Florida	1,615.3
Lord Abbett TxFr FL	Florida	65.8
MFS Muni FL	Florida	72.1
ML FL Muni Holdings	Florida	647.9
MuniYield FL	Florida	255.1
MuniYield FL Insured	Florida	182.9
Nuveen FL Investment Qual Muni	Florida	382.2
Nuveen FL Muni Bd	Florida	284.7
Nuveen FL Quality Income Muni	Florida	335.3
Nuveen Insrd FL Premium Inc	Florida	331.9
Nuveen Insrd FL TxFr Advtg	Florida	85.2
SIT FL Tax Free Income	Florida	3.1
STI Classic Hi Grade Muni Bond	Florida	170.4
Seligman TxEx FL	Florida	26.8
USAA TxFr FL Income	Florida	226.5
VK Investment Grade FL Muni	Florida	298.7
Vanguard FL Long TxEx	Florida	1,140.1
Columbia GA Intrmd Muni	Georgia	119.8
Eaton Vance GA Muni	Georgia	80.7

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Evergreen GA Muni	Georgia	161.0
First Inv Multi Ins TxEx GA	Georgia	11.7
Franklin GA TxFr Income	Georgia	285.7
Lord Abbett TxFr GA	Georgia	134.0
MFS Muni GA	Georgia	58.2
Nuveen GA Dvdnd Advtg Muni	Georgia	44.0
Nuveen GA Dvdnd Advtg Muni 2	Georgia	99.1
Nuveen GA Muni Bd	Georgia	218.9
Nuveen GA Prem Inc Muni	Georgia	83.5
Price GA TxFr Bond	Georgia	130.8
STI Classic GA TxEx Bond	Georgia	153.9
Seligman TxEx GA	Georgia	27.8
Sentinel GA Municipal Bond	Georgia	39.8
1st Pac Hawaii Intrmd Muni	Hawaii	9.0
1st Pac Hawaii Muni Bond	Hawaii	152.8
Bishop St HI Muni Bond	Hawaii	171.6
Eaton Vance HI Muni	Hawaii	19.6
Hawaiian TxFr Trust	Hawaii	699.6
Lord Abbett TxFr HI Income	Hawaii	98.4
Delaware TxFr ID	Idaho	84.5
ID TxEx	Idaho	9.3
Amer Indep KS TxEx Bond	Kansas	167.9
Commerce KS TxFr Intrmd	Kansas	67.4
Eaton Vance KS Muni	Kansas	32.3
KS Insured Intermediate	Kansas	10.6

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
KS Municipal	Kansas	54.5
Nuveen KS Muni Bd	Kansas	128.4
BB&T KY Intrmd TxFr	Kentucky	13.9
BlackRock KY Muni	Kentucky	126.1
Churchill TxFr Kentucky	Kentucky	264.1
Dupree KY Short/Medium Inc	Kentucky	62.2
Dupree KY TxFr Income	Kentucky	703.1
Eaton Vance KY Muni	Kentucky	62.1
Franklin KY TxFr Income	Kentucky	151.2
JPMorgan KY Muni Bond	Kentucky	89.1
Nuveen KY Muni Bd	Kentucky	455.3
Capital One LA Muni Inc	Lousiana	52.2
Eaton Vance LA Muni	Lousiana	40.2
Franklin LA TxFr Income	Lousiana	262.0
JPMorgan LA Muni Bond	Lousiana	76.1
Nuveen LA Muni Bd	Lousiana	92.4
Seligman TxEx LA	Lousiana	28.7
ME Municipal	Maine	16.6
BB&T MD Intrmd TxFr	Maryland	11.6
BlackRock MD Muni Bond	Maryland	49.8
Brown Advisory MD Bond	Maryland	92.0
Columbia MD Intrmd Muni	Maryland	169.3
Dreyfus Premr MD Bond	Maryland	209.4
Eaton Vance MD Muni	Maryland	91.6

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Evergreen MD Muni Bond	Maryland	67.4
Fidelity MD Municipal Income	Maryland	125.6
First Inv Multi Ins TxEx MD	Maryland	22.8
Franklin MD TxFr Income	Maryland	499.8
Legg Mason MD TxFr	Maryland	150.1
MD TxEx Bond	Maryland	295.8
MFS Muni MD	Maryland	131.9
MTB MD Municipal Bond	Maryland	144.6
Mercantile MD TxEx Bond	Maryland	49.8
Nuveen MD Dvdnd Advtg Muni	Maryland	93.6
Nuveen MD Dvdnd Advtg Muni 2	Maryland	94.4
Nuveen MD Dvdnd Advtg Muni 3	Maryland	117.1
Nuveen MD Muni Bond	Maryland	146.4
Nuveen MD Prem Inc Muni	Maryland	235.1
Price MD TxFr Bond	Maryland	1,469.7
Price MD TxFr Short Bond	Maryland	145.8
Rochester MD Muni	Maryland	17.5
STI Classic MD Muni	Maryland	37.1
Seligman TxEx MD	Maryland	35.1
AB Muni Income II MA	Massachusetts	139.8
Columbia MA Intrmd Muni Bond	Massachusetts	307.3
Columbia MA Tax Exempt	Massachusetts	162.3
DWS MA TxFr Muni	Massachusetts	434.7
Dreyfus Mellon MA Intrmd Muni	Massachusetts	341.3
Dreyfus Premr MA Bond	Massachusetts	244.0
Eaton Vance Ins MA Muni Bond	Massachusetts	42.1
Eaton Vance MA Ltd Muni	Massachusetts	63.2

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Eaton Vance MA Muni	Massachusetts	317.8
Eaton Vance MA Muni Inc Trust	Massachusetts	64.0
Fidelity MA Municipal Income	Massachusetts	1,870.5
First Inv Multi Ins TxEx MA	Massachusetts	26.1
Franklin MA Insrd TxFr Inc	Massachusetts	531.8
J Hancock MA TxFr Income	Massachusetts	105.8
Legg Mason P Muni Bond MA	Massachusetts	95.0
Loomis Sayles MA TxFr Income	Massachusetts	68.3
MA Health & Education TxEx Tr	Massachusetts	42.1
MFS Muni MA	Massachusetts	218.1
Nuveen Insrd MA TxFr Advtg	Massachusetts	60.3
Nuveen MA Dvdnd Advtg Muni	Massachusetts	44.3
Nuveen MA Insured Muni Bond	Massachusetts	79.4
Nuveen MA Muni Bond	Massachusetts	172.5
Nuveen MA Prem Inc Muni	Massachusetts	103.8
Putnam MA TxEx Income	Massachusetts	288.1
RVS MA TxEx	Massachusetts	50.6
Rochester MA Muni	Massachusetts	26.0
SEI STET MA Muni	Massachusetts	39.9
Seligman TxEx MA	Massachusetts	62.3
VK Value Muni Inc Tr MA	Massachusetts	66.6
Vanguard MA TxEx	Massachusetts	648.3
AB Muni Income II MI	Michigan	125.9
Allegiant MI Intrmd Muni Bond	Michigan	56.7
Dreyfus Premr MI Bond	Michigan	96.5
Eaton Vance Ins MI Muni Bond	Michigan	36.6
Eaton Vance MI Muni	Michigan	67.0

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Eaton Vance MI Muni Inc Trust	Michigan	49.2
Federated MI Interm Muni	Michigan	157.9
Fidelity MI Municipal Income	Michigan	581.5
Fifth Third MI Muni Bond	Michigan	49.8
First Inv Multi Ins TxEx MI	Michigan	30.7
Franklin MI Insrd TxFr Income	Michigan	1,442.0
Huntington MI TxFr Bond	Michigan	20.4
JPMorgan MI Muni Bond	Michigan	291.3
Lord Abbett TxFr MI Income	Michigan	71.3
MuniYield MI Insured	Michigan	325.1
MuniYield MI Insured II	Michigan	226.9
Nuveen MI Dvdnd Advtg Muni	Michigan	47.0
Nuveen MI Muni Bd	Michigan	232.4
Nuveen MI Prem Inc Muni	Michigan	171.7
Nuveen MI Quality Income Muni	Michigan	272.8
Putnam MI TxEx Income II	Michigan	110.8
RVS MI TxEx	Michigan	43.3
Rochester MI Muni	Michigan	24.3
Seligman TxEx MI	Michigan	86.3
AB Muni Income II MN	Minnesota	93.6
Delaware Inv MN Muni Income 2	Minnesota	218.2
Delaware MN High Yield Muni	Minnesota	147.1
Delaware TxFr MN	Minnesota	631.4
Delaware TxFr MN Intrmd	Minnesota	55.2
Dreyfus Premr MN Bond	Minnesota	118.2
Eaton Vance MN Muni	Minnesota	68.4
Fidelity MN Municipal Income	Minnesota	340.0

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
First Am MN Intrmd TxFr	Minnesota	192.8
First Am MN TxFr	Minnesota	178.2
First Inv Multi Ins TxEx MN	Minnesota	16.6
Franklin MN Insrd TxFr Income	Minnesota	605.9
Hartford TxFr MN	Minnesota	37.2
Lord Abbett TxFr MN Income	Minnesota	55.2
MN Muni Income Portfolio	Minnesota	61.7
MN Muni Income Portfolio II	Minnesota	21.9
Putnam MN TxEx Income II	Minnesota	105.4
RVS MN TxEx	Minnesota	329.1
Rochester MN Municipal	Minnesota	10.4
SIT MN TxFr Income	Minnesota	293.1
Seligman TxEx MN	Minnesota	74.0
Wells Fgo Avtg MN TxFr	Minnesota	167.3
Dupree MS TxFr Income	Mississippi	5.4
Eaton Vance MS Muni	Mississippi	18.5
MFS Muni MS	Mississippi	84.3
Commerce MO TxFr Intrmd	Missouri	151.4
Eaton Vance MO Muni	Missouri	96.2
First Am MO TxFr	Missouri	157.1
First Inv Multi Ins TxEx MO	Missouri	15.6
Franklin MO TxFr Income	Missouri	697.0
Lord Abbett TxFr MO	Missouri	159.8
Nuveen MO Muni Bd	Missouri	258.7
Nuveen MO Prem Inc Muni	Missouri	49.1
Seligman TxEx MO	Missouri	27.8

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
MT Tax Free	Montana	22.1
Viking MT TxFr	Montana	9.8
First Am NE TxFr	Nebraska	41.8
First Focus NE TxFr	Nebraska	42.9
NE Municipal	Nebraska	28.6
Weitz NE Tax Free Income	Nebraska	49.0
Wells Fgo Avtg NE TxFr	Nebraska	37.4
NH Municipal	N.H.	4.2
AB Muni Income II NJ	New Jersey	156.2
BlackRock NJ Invest Qual Muni	New Jersey	21.7
BlackRock NJ Muni Bd Port	New Jersey	57.3
BlackRock NJ Muni Bond	New Jersey	295.8
BlackRock NJ Muni Inc	New Jersey	183.2
Columbia NJ Intrmd Muni Bond	New Jersey	63.9
Dreyfus NJ Intrmd Muni Bond	New Jersey	171.1
Dreyfus Premr NJ Muni Bond	New Jersey	457.8
Eaton Vance Ins NJ Muni Bond	New Jersey	63.0
Eaton Vance NJ Ltd Muni	New Jersey	38.8
Eaton Vance NJ Muni	New Jersey	335.2
Eaton Vance NJ Muni Inc Trust	New Jersey	110.8
Evergreen NJ Muni Bond	New Jersey	231.8
Fidelity NJ Municipal Income	New Jersey	599.3
First Inv Multi Ins TxEx NJ	New Jersey	57.6
Franklin NJ TxFr Income	New Jersey	1,280.5
Glenmede NJ Muni	New Jersey	15.7

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Legg Mason P Muni Bond NJ	New Jersey	228.8
Lord Abbett TxFr NJ Income	New Jersey	130.5
ML NJ Muni Holdings Insrd	New Jersey	386.1
MuniYield NJ	New Jersey	278.8
MuniYield NJ Insured	New Jersey	188.6
Nuveen NJ Dvdnd Advtg Muni	New Jersey	146.6
Nuveen NJ Dvdnd Advtg Muni 2	New Jersey	103.3
Nuveen NJ Investment Qual Muni	New Jersey	466.7
Nuveen NJ Municipal Bond	New Jersey	193.4
Nuveen NJ Premium Income Muni	New Jersey	274.1
Oppenheimer NJ Municipal	New Jersey	877.1
Price NJ TxFr Bond	New Jersey	217.8
Putnam NJ TxEx Income	New Jersey	197.6
SEI STET NJ Muni	New Jersey	108.3
Seligman TxEx NJ	New Jersey	35.5
VK Investment Grade NJ Muni	New Jersey	170.7
Vanguard NJ Long TxEx	New Jersey	1,792.0
Nuveen NM Muni Bd	New Mexico	60.7
Thornburg Intrmd NM	New Mexico	186.5
AB Muni Income Muni NY	New York	480.0
Alliance NY Muni Income	New York	118.0
BNY Hamilton Intrmd NY TxEx	New York	115.3
BlackRock NY Ins Muni 2008	New York	282.0
BlackRock NY ins Muni Inc	New York	153.7
BlackRock NY Invest Qual Muni	New York	29.1
BlackRock NY Muni 2018	New York	90.0

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total assets ($M)
BlackRock NY Muni Bd	New York	282.1
BlackRock NY Muni Bond	New York	67.5
BlackRock NY Muni Inc	New York	306.1
BlackRock NY Muni Inc II	New York	120.7
Columbia NY Intrmd Muni Bond	New York	145.7
Columbia NY Tax Exempt	New York	82.5
DWS NY TxFr Income	New York	373.5
Delaware TxFr NY	New York	19.1
Dreyfus General NY Muni Bond	New York	246.0
Dreyfus NY TxEx Bond	New York	1,239.0
Dreyfus NY TxEx Intrmd Bond	New York	271.4
Dreyfus Premr NY Muni Bond	New York	156.8
Eaton Vance Ins NY Muni Bd II	New York	62.0
Eaton Vance Ins NY Muni Bond	New York	378.7
Eaton Vance NY Ltd Muni	New York	96.2
Eaton Vance NY Muni	New York	453.8
Eaton Vance NY Muni Inc Trust	New York	130.8
Empire Builder Tx Fr Bond	New York	92.7
Evergreen NY Muni Bond	New York	82.2
Excelsior NY Intrmd TxEx	New York	142.4
Federated NY Muni Income	New York	57.6
Fidelity NY Municipal Income	New York	1,478.3
First Investors NY Ins TxFr	New York	159.3
Franklin NY Insrd TxFr Income	New York	479.8
Franklin NY Intrmd TxFr Income	New York	267.5
Franklin NY Ltd Trm TxFr Inc	New York	6.7
Franklin NY TxFr Income	New York	4,922.6
GS NY Intrmd AMT Free Muni	New York	24.1

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
HSBC Inv NY TxFr Bond	New York	63.7
Hartford TxFr NY	New York	16.4
J Hancock NY TxFr Income	New York	56.3
JPMorgan NY TxFr Bond	New York	625.4
Legg Mason P Intrmd NY Muni	New York	103.8
Legg Mason P Muni Bond NY	New York	747.4
Limited Term NY Muni	New York	4,097.2
Lord Abbett TxFr NY Income	New York	263.0
MFS Muni NY	New York	159.5
ML Muni NY Intermediate	New York	93.7
ML NY Muni Holdings Insrd	New York	551.0
MSDW NY Quality Muni Sec	New York	85.4
MTB NY Municipal Bond	New York	104.9
Morgan Stanley NY TxFr	New York	88.2
MuniYield NY Insured	New York	640.9
NB NY Intermediate Muni	New York	128.7
Nuveen Insrd NY Dvdnd Advtg	New York	181.4
Nuveen Insrd NY Premium Inc	New York	190.4
Nuveen Insrd NY TxFr Advtg	New York	78.8
Nuveen NY Dvdnd Advtg Muni	New York	209.5
Nuveen NY Dvdnd Advtg Muni 2	New York	144.3
Nuveen NY Insured Muni Bond	New York	302.8
Nuveen NY Investment Qual Muni	New York	408.1
Nuveen NY Muni Value	New York	151.1
Nuveen NY Municipal Bond	New York	392.6
Nuveen NY Performance Plus	New York	360.6
Nuveen NY Quality Income Muni	New York	556.7
Nuveen NY Select Qual Muni	New York	548.3

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($Mil)
Nuveen NY Select TxFr Income	New York	55.5
Oppenheimer AMT Free NY Muni	New York	1,468.3
PIMCO NY Muni Income	New York	164.8
PIMCO NY Muni Income II	New York	246.2
PIMCO NY Muni Income III	New York	129.9
PIMCO NY Municipal Bond	New York	68.3
Price NY TxFr Bond	New York	276.3
Putnam NY Inv Grade Muni	New York	37.5
Putnam NY TxEx Income	New York	1,122.5
RVS NY TxEx	New York	67.1
Rochester Fund Muni	New York	11,218.1
SCBF NY Muni	New York	1,711.3
SCBF Short Duratn NY Muni	New York	104.3
SEI STET NY Muni	New York	142.6
Seligman TxEx NY	New York	67.4
Thornburg Intrmd NY	New York	33.8
USAA TxEx NY Bond	New York	159.5
VK Investment Grade NY Muni	New York	399.6
Value Line TxEx NY	New York	22.5
Van Kampen NY TxFr Income	New York	127.9
Vanguard NY Long TxEx	New York	2,621.2
BB&T NC Intrmd TxFr	N.C.	113.1
Columbia NC Intrmd Muni	N.C.	187.0
Dreyfus Premr NC Bond	N.C.	66.7
Dupree NC Short/Medium Inc	N.C.	11.3
Dupree NC TxFr Income	N.C.	54.6
Eaton Vance NC Muni	N.C.	91.2

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Fund Assets ($Mil)
Evergreen NC Muni	N.C.	560.0
Federated NC Muni Income	N.C.	45.8
First Inv Multi Ins TxEx NC	N.C.	25.6
Franklin NC TxFr Income	N.C.	773.9
MFS Muni NC	N.C.	323.9
Nuveen NC Dvdnd Advtg Muni	N.C.	50.6
Nuveen NC Dvdnd Advtg Muni 2	N.C.	83.7
Nuveen NC Dvdnd Advtg Muni 3	N.C.	84.9
Nuveen NC Muni Bd	N.C.	320.6
Nuveen NC Prem Inc Muni	N.C.	138.7
Rochester NC Muni	N.C.	20.7
STI Classic NC TxEx Bond	N.C.	44.3
Seligman TxEx NC	N.C.	16.5
ND Tax Free	North Dakota	15.0
Viking ND TxFr	North Dakota	5.7
AB Muni Income II OH	Ohio	165.7
Allegiant OH Intrmd TxEx Bond	Ohio	136.8
BlackRock OH Muni	Ohio	107.0
Dreyfus Premr OH Bond	Ohio	204.1
Eaton Vance Ins OH Muni Bond	Ohio	60.2
Eaton Vance OH Ltd Muni	Ohio	19.6
Eaton Vance OH Muni	Ohio	313.6
Eaton Vance OH Muni Inc Trust	Ohio	66.6
Federated OH Muni Income	Ohio	124.9
Fidelity OH Municipal Income	Ohio	422.9
Fifth Third OH Muni Bd	Ohio	107.8

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
First Am OH TxFr	Ohio	42.9
First Inv Multi Ins TxEx OH	Ohio	24.2
Franklin OH Insrd TxFr Income	Ohio	1,188.1
Huntington OH Tax Free	Ohio	41.0
JPMorgan OH Muni Bond	Ohio	207.6
Nuveen OH Dvdnd Advtg Muni	Ohio	95.1
Nuveen OH Dvdnd Advtg Muni 2	Ohio	70.5
Nuveen OH Dvdnd Advtg Muni 3	Ohio	49.2
Nuveen OH Muni Bd	Ohio	536.4
Nuveen OH Quality Income Muni	Ohio	233.7
Putnam OH TxEx Income II	Ohio	153.9
RVS OH TxEx	Ohio	44.1
Rochester OH Muni	Ohio	38.2
Seligman TxEx OH	Ohio	96.9
Touchstone OH Insured TxFr	Ohio	63.1
VK OH Quality Muni	Ohio	145.8
Vanguard OH Long Tax Exempt	Ohio	658.7
Victory OH Muni Bond	Ohio	110.1
OK Municipal	Oklahoma	50.9
Columbia OR Intrmd Muni Bond	Oregon	383.4
Eaton Vance OR Muni	Oregon	129.7
First Am OR Intrmd TxFr	Oregon	119.8
First Inv Multi Ins TxEx OR	Oregon	34.7
Franklin OR TxFr Income	Oregon	793.4
Legg Mason P Muni Bond OR	Oregon	68.6
Seligman TxEx OR	Oregon	49.0

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State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
Tax Free Trust Of Oregon	Oregon	421.1
AB Muni Income II PA	Pennsylvania	147.2
Allegiant PA Intrmd Muni Bond	Pennsylvania	39.9
BlackRock PA Muni Bond	Pennsylvania	585.0
BlackRock PA Strategic Muni Tr	Pennsylvania	47.3
Delaware TxFr PA	Pennsylvania	558.9
Dreyfus Mellon PA Intrmd Muni	Pennsylvania	608.9
Dreyfus PA Intrmd Muni Bond	Pennsylvania	70.2
Dreyfus Premr PA Bond	Pennsylvania	159.4
Eaton Vance Ins PA Muni Bond	Pennsylvania	72.3
Eaton Vance PA Ltd Muni	Pennsylvania	51.0
Eaton Vance PA Muni	Pennsylvania	293.7
Eaton Vance PA Muni Inc Trust	Pennsylvania	63.8
Evergreen PA Muni	Pennsylvania	788.9
Federated PA Muni Income	Pennsylvania	331.9
Fidelity PA Municipal Income	Pennsylvania	301.8
First Inv Multi Ins TxEx PA	Pennsylvania	45.0
Franklin PA TxFr Income	Pennsylvania	899.0
Legg Mason P Muni Bond PA	Pennsylvania	122.7
Lord Abbett TxFr PA	Pennsylvania	95.3
MFS Muni PA	Pennsylvania	107.8
MTB PA Municipal Bond	Pennsylvania	138.4
MuniYield PA Insured	Pennsylvania	220.3
Nuveen PA Dvdnd Advtg Muni	Pennsylvania	75.9
Nuveen PA Dvdnd Advtg Muni 2	Pennsylvania	85.3
Nuveen PA Investment Qual Muni	Pennsylvania	378.4
Nuveen PA Muni Bd	Pennsylvania	210.9

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Firm	State	Total assets ($MM)
Nuveen PA Prem Inc2 Muni	Pennsylvania	349.6
Oppenheimer PA Municipal	Pennsylvania	1,348.3
Putnam PA TxEx Income	Pennsylvania	163.3
SEI STET PA Muni	Pennsylvania	105.2
Seligman TxEx PA	Pennsylvania	15.9
VK Value Muni Inc Tr PA	Pennsylvania	603.3
Van Kampen PA TxFr Income	Pennsylvania	182.3
Vanguard PA Long TxEx	Pennsylvania	2,438.0
Franklin Double TxFr Income	Puerto Rico	516.4
Columbia RI Intrmd Muni Bond	Rhode Island	116.7
Eaton Vance RI Muni	Rhode Island	64.5
Narragansett Ins TxFr Inc	Rhode Island	152.4
Ocean State TxEx	Rhode Island	23.3
BB&T SC Intrmd TxFr	S.C.	17.4
Columbia SC Intrmd Muni	S.C.	183.1
Eaton Vance SC Muni	S.C.	128.8
Evergreen SC Muni	S.C.	318.7
MFS Muni SC	S.C.	154.1
Seligman TxEx SC	S.C.	71.2
Dupree TN Short/Medium Income	Tennessee	11.0
Dupree TN TxFr Income	Tennessee	99.4
Eaton Vance TN Muni	Tennessee	58.0
Franklin TN Muni Bond	Tennessee	167.2
GS TN Muni	Tennessee	81.9

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total Assets ($MM)
MFS Muni TN	Tennessee	109.8
Nuveen TN Muni Bd	Tennessee	331.4
Lord Abbett TxFr TX Income	Texas	72.7
Nuveen TX Quality Income Muni	Texas	212.4
Tax Free Fund For Utah	Utah	228.4
Calvert TxFr Reserves VT	Vermont	48.1
Federated VT Muni Income	Vermont	28.4
AB Muni Income II VA	Virginia	178.0
BB&T VA Intrmd TxFr	Virginia	76.9
BlackRock VA Muni Bond Trust	Virginia	38.4
Columbia VA Intrmd Muni	Virginia	323.9
Dreyfus Premr VA Bond	Virginia	63.7
Eaton Vance VA Muni	Virginia	128.5
Evergreen VA Muni	Virginia	223.4
First Inv Multi Ins TxEx VA	Virginia	33.0
Franklin VA TxFr Income	Virginia	556.8
Jamestown TxEx VA	Virginia	28.9
MFS Muni VA	Virginia	290.5
MTB VA Municipal Bond	Virginia	17.9
Madison Mosaic TxFr VA	Virginia	25.1
Nuveen VA Dvdnd Advtg Muni	Virginia	71.3
Nuveen VA Dvdnd Advtg Muni 2	Virginia	129.1
Nuveen VA Muni Bd	Virginia	326.5
Nuveen VA Prem Inc Muni	Virginia	197.9

State-Specific Municipal Bond Funds, By State
(Open-End and Closed-End Funds, as of May 31, 2007)

Fund	State	Total assets ($MM)
Price VA TxFr Bond	Virginia	550.7
Rochester VA Muni	Virginia	15.8
STI Classic VA Intrmd Muni	Virginia	217.9
USAA TxEx VA Bond	Virginia	547.4
VA TxEx Bond	Virginia	308.4
Lord Abbett TxFr WA Income	Washington	41.7
BB&T WV Intrmd TxFr	West Virginia	70.0
Eaton Vance WV Muni	West Virginia	32.1
JPMorgan WV Muni Bond	West Virginia	95.0
MFS Muni WV	West Virginia	137.7
Wesmark WV Muni Bond	West Virginia	68.8
North Track WI TxEx	Wisconsin	164.6
Nuveen WI Muni Bd	Wisconsin	51.7
Wells Fgo Avtg WI TxFr	Wisconsin	71.3
Total		$192,170.2 (MM)

Source: Avi Nachmany, Director of Research, Strategic Insight Mutual Fund Research and Consulting

APPENDIX B

Letter from Mrs. Barbara Gower, Louisville, Ky.

[Fold-out Exhibit, next page]

I was a child in the 30's grew up in the 40's right here in Louisville. I have several recurring memories, one of these is our highway system, narrow, winding 2 lane roads, dark at night.

These roads were important to our family as our main if not only recreation was to drive to visit relatives in Hopkinsville Ky, Evansville Ind and Columbus Ohio. All of [illegible] trips required use of Ky roads.

My parents were on the way to Hopkinsville after dark when they rounded a curve

to find a cow in the middle of the road. Daddy swerved, missing the cow but overturning the car.

Neither of my parents were hurt but the Model a Ford required some fixing.

Hooray for Kentucky Turnpikes

Barbara Gower
Louisville, Kentucky
Shareholder since 1997